

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



Bengaluru Branch of SIRC e-Newsletter

Volume 11 | Issue 9 | April 2023 | Pages : 29

English Monthly
For Private circulation only



- Study Circle Meeting
Jargons used in start-up ecosystem which a CA must know
5th April 2023

- Breakfast Meeting
Corporate Restructuring - Recent trends and developments
8th April 2023

- Study Circle Meeting
MAT & AMT
12th April 2023

- Study Circle Meeting
Conversion of CA firms into LLPs
19th April 2023

- One Day Workshop on
Valuation
25th April 2023



PRAGJNANA PRAYATHNA

Conscious Attempts

CPE MEETINGS

- Study Circle Meeting
Guidelines for Advertisement for Members in Practice
26th April 2023

- AQMM Virtual CPE Meeting
All about Audit Quality Maturity Model and its effect on Peer Review
27th April 2023

- One Day Seminar on
Intangible Property Rights Law
29th April 2023

- Study Circle Meeting
Use of AI and Emerging Technologies in Profession
3rd May 2023

- One Day Workshop on
Co-operative Society Audit
6th May 2023

- Study Circle Meeting
GST on Export & deemed Export
10th May 2023

- Breakfast Meeting
Adoption of Technology in Small & Medium size CA Firms
13th May 2023

- Study Circle Meeting
Updates on Labour Laws - ESI, PF & Gratuity
17th May 2023

- One Day Seminar on
Charitable Trust
20th May 2023

- Study Circle Meeting
Brand building using Social Media for CA's
24th May 2023

- Study Circle Meeting
E-invoice under GST
31st May 2023



Dear Professional Colleagues,

As one year ends and another new financial year begins on 1st April 2023 has a great significance for the entire nation and a special importance to our profession. Let me take this opportunity to wish you all our esteemed members a very happy and prosperous Financial year 2023- 2024. We are no good when we are alone, but when we are united, we are unstoppable. As the days go by this financial year also will provide us many avenues, professional opportunities, and challenges which we should turn into opportunities. Bengaluru Branch being one of the most dynamic and vibrant branch of SIRC, our team is working cohesively to ensure that the branch meets the growing needs of the profession to its members and students.

April is the month where many of our members are busy engaged in Bank Audit Assignments and I would wish them all the best and good luck in discharging the onerous responsibility placed on them by the banking industry and various stakeholders. India is the fifth largest economy in the world. In the upcoming years rising consumption and investments both domestic and foreign will contribute to the nation's growth. It is indeed our contribution that lubricates yet another wheel of the economy to ensure smoother and faster growth to achieve 10 trillion economy will soon be a reality as per our Government's goal.

I wish you all a very Happy New year Ugadi – the beginning of Sri Shobhagruth nama Samvatsra celebrated on 22nd March 2023.

A brief about March 2023 programs :

I congratulate all women Chartered Accountants on the occasion of International Women's Day and proud to say that women CA's fraternity are successfully contributing to various fields of the profession including accountancy, direct taxes, indirect taxes, company law matters, strategic decision making, international business and project finance which has led to inclusiveness, innovation, ideation, performance to add a value to society's economic growth and prosperity.

We, Bengaluru Branch Committee Members got an opportunity to meet all the Branch Committee Members during the All India Managing Committee Member Orientation Programme held on 13th and 14th March 2023 at Hotel, The Westin, Powai Lake, Mumbai. It was indeed inspiring and heart-warming to see all the Branch Managing Committee members from all over India under one roof. I thank President & Vice President of ICAI for organizing this meeting at this august gathering.

This meeting was an excellent opportunity to share our viewpoints and thoughts on various administrative matters and other activities. It also promoted exchange of ideas and discussions on different programs where we can collaborate to fulfil the action plan and vision placed by our Hon'ble President and Hon'ble Vice President of ICAI.

Apart from the value additive study circle meetings, the Bank Branch Audit Seminar, an annual feature programme of the Branch conducted on 25th March under the aegis of Auditing & Assurance Standards Board of ICAI, Hosted by Bengaluru Branch of SIRC of ICAI. The deliberations during the Seminar by the distinguished **Chief Guest Mr. Gagandeep Ahuja, Senior Executive Vice President, Sr. Regional Business Head, Kotak Mahindra Bank, Bengaluru** and the expert speakers of the Seminar made the programme very lively and interactive. **242** Members were benefitted through the same. I thank the distinguished Chief Guest who has shared his insights about the importance of Banks in the said Seminar. Thanks to the learned speakers CA Manohar P Gupta, CA Shyam Ramadhyani, CA Premnath D, Hyderabad and CA P.R. Suresh.

Furthermore, the Three Day's Workshop on Bank Branch Audit was conducted from 27th March to 29th March. **CA. H. Anil Kumar, Past Chairman – Bengaluru Branch of SIRC of ICAI was the Chief Guest** inaugurated and shared his rich experience

in this Workshop. I thank CA. R. Sundararajan, Chennai, CA. Venugopal G, CA. U Saran Kumar & CA. V. Jawahar, Hyderabad in deliberating their knowledge in Bank Audit. 87 members were attended.

In view of the Bank Branch Audit assignments to be taken up by our members, **Hands on training on Excel**, from Bank Branch Audit perspective, had been organized on 18th March which was of immense value to the participants. I thank CA. Venu Gopal G, the excel guru of the said programme.

To observe International Women's Day i.e. 8th March 2023, branch conducted Half Day Women Centric Program under the aegis of Women & Young Members Empowerment Committee of ICAI on 24th March. I thank **Dr. B.R. Mamtha, Inspector General of Registration and Commissioner of Stamps, DPAR (Election), Government of Karnataka** and CA. Sarita Agarwal, Kolkata for empowering, inspiring and motivating women members. 105 women members attended this program.

In continuation of my term's agenda to hold at least one programme on unconventional topics in each month, we had a first Breakfast Meeting on Indirect Tax on Virtual Digital Assets (Crypto) on 11th March i.e in the second week of the month. I thank CA. Deepak Kumar Jain for sharing his knowledge in this Meeting. 45 members were attended and benefitted from this program.

The months ahead - April and May 2023 :

We have planned Workshop on Valuation under Income Tax Act on 25th April 2023.

In the 2nd week, Breakfast Meeting is being organized on 8th April 2023 at S. Narayanan Auditorium, Vasanthnagar, Bengaluru.

Seminar on Intangible Property Rights Law on 29th April 2023.

Workshop on Co-operative Audit on 6th May.

Seminar on Charitable Trust on 20th May.

The details of the above said programs are mentioned elsewhere in this newsletter. We request members to register online at bangaloreicai.org.

Programmes for Students :

One Day Bank Branch Audit Seminar was conducted by the renowned faculty Members on 30th March. I thank CA. Manohar P Gupta, Chief Guest for motivating students in this Seminar on Bank Audit were very well received by the student delegates. I congratulate CA. Tuppada Virupakshappa Muppanna, SICASA Chairman for organizing this Students Seminar. 190 Students participated and got benefitted.

All in all, March was a very eventful month. Members are requested to participate in all the programmes scheduled in the upcoming months. Let us be abreast with all the Tech & Innovative changes happening in our profession to maintain the quality of our prestigious profession. Let us give a start for the new financial year with greater vigour and commitment. I am sure that with your support and guidance, we can conduct varied programmes for the benefit of Students and Members maintaining the bench mark set by our predecessors.

With warm regards,

CA Divya S

Chairperson

Bengaluru Branch of SIRC of ICAI

Advertisement Tariff for the Branch e-Newsletter

COLOUR FULL PAGE

Outside back	₹ 40,000/-
Inside front	₹ 35,000/-
Inside back	₹ 30,000/-

INSIDE BLACK & WHITE

Full page	₹ 20,000/-
Half page	₹ 10,000/-
Quarter page	₹ 5,000/-

Advt. material should reach us before 22nd of previous month.

EDITOR :
CA. DIVYA S

SUB EDITOR :
CA. MANJUNATH M HALLUR

Disclaimer: The Bengaluru Branch of ICAI is not in anyway responsible for the result of any action taken on the basis of the articles and advertisements published in the e-Newsletter. The views and opinions expressed or implied in the Branch e-Newsletter are those of the authors/guest editors and do not necessarily reflect that of Bengaluru Branch of ICAI.



CALENDAR OF EVENTS

CPE MEETINGS FOR THE MONTH OF APRIL 2023

DATE AND DAY	TOPIC / SPEAKER	TIME	STRUCTURED CPE HOURS
05.04.2023 Wednesday	Study Circle Meeting Jargons used in start-up ecosystem which a CA must know CA. Vijay Raja Delegate Fees : Members – Rs.100/- Plus GST	Virtual 6.00 pm to 8.00 pm	2 hrs
08.04.2023 Saturday	Breakfast Meeting Corporate Restructuring - Recent trends and developments CA. Amithraj A N Delegate Fees : Members – Rs.250/- Plus GST	S. Narayanan Auditorium Vasanthnagar Breakfast : 7.30 am to 8.30 am Meeting : 8.30 am to 10.30 am	2 hrs
12.04.2023 Wednesday	Study Circle Meeting MAT & AMT CA. Vishnumurthy S Delegate Fees : Members – Rs.100/- Plus GST	Virtual 6.00 pm to 8.00 pm	2 hrs
19.04.2023 Wednesday	Study Circle Meeting Conversion of CA firms into LLPs CA. K.S. Ravi Delegate Fees : Members – Rs.100/- Plus GST	Virtual 6.00 pm to 8.00 pm	2 hrs
25.04.2023 Tuesday	One Day Workshop on Valuation <i>Organized by : Bengaluru Branch of SIRC of ICAI</i> Delegate Fees : Members – Rs.900/- Plus GST <i>Details at Pg. No.25</i>	S. Narayanan Auditorium Vasanthnagar Bengaluru 10.00 am to 6.00 pm	6 hrs
26.04.2023 Wednesday	Study Circle Meeting Guidelines for Advertisement for Members in Practice CA. Sana Baqai, New Delhi Delegate Fees : Members – Rs.100/- Plus GST	Virtual 6.00 pm to 8.00 pm	2 hrs
27.04.2023 Thursday	AQMM Virtual CPE Meeting All about Audit Quality Maturity Model and it's effect on Peer Review CA. R.S. Balaji, Chennai Delegate Fees : Members – Rs.200/- Plus GST	Virtual 5.00 pm to 8.00 pm	3 hrs
29.04.2023 Saturday	One Day Seminar on Intangible Property Rights Law <i>Organized by : Committee on Commercial Laws, Economic Advisory & NPO Co-operative Act</i> <i>Hosted by : Bengaluru Branch of SIRC of ICAI</i> Delegate Fees : Members – Rs.850/- Plus GST <i>Details at Pg. No.26</i>	S. Narayanan Auditorium Vasanthnagar Bengaluru 9.30 am to 6.00 pm	6 hrs

Please Note All Virtual CPE Meetings are Unstructured CPE Hours.

CALENDAR OF EVENTS

CPE MEETINGS FOR THE MONTH OF APRIL & MAY 2023

DATE AND DAY	TOPIC / SPEAKER	TIME	STRUCTURED CPE HOURS
03.05.2023 Wednesday	Study Circle Meeting Use of AI and Emerging Technologies in Profession CA. Narasimhan E Delegate Fees : Members – Rs.100/- Plus GST	Virtual 6.00 pm to 8.00 pm	2 hrs
06.05.2023 Saturday	One Day Workshop on Co-operative Society Audit <i>Organized by : Bengaluru Branch of SIRC of ICAI</i> Delegate Fees : Members – Rs.850/- Plus GST <i>Details at Pg. No.27</i>	S. Narayanan Auditorium Vasanthnagar Bengaluru 10.00 am to 6.00 pm	6 hrs
10.05.2023 Wednesday	Study Circle Meeting GST on Export & Deemed Export CA. Bimal Jain, New Delhi Delegate Fees : Members – Rs.100/- Plus GST	Virtual 6.00 pm to 8.00 pm	2 hrs
13.05.2023 Saturday	Breakfast Meeting Adoption of Technology in Small & Medium size CA Firms CA. B.P. Sachin Kumar Delegate Fees : Members – Rs.250/- Plus GST	S. Narayanan Auditorium Vasanthnagar Breakfast : 7.30 am to 8.30 am Meeting : 8.30 am to 10.30 am	2 hrs
17.05.2023 Wednesday	Study Circle Meeting Updates on Labour Laws – ESI, PF & Gratuity Mr. Ram K Navratna Delegate Fees : Members – Rs.100/- Plus GST	Virtual 6.00 pm to 8.00 pm	2 hrs
20.05.2023 Saturday	One Day Seminar on Charitable Trust <i>Organized by : Bengaluru Branch of SIRC of ICAI</i> <i>Details will be uploaded on the website</i>	S. Narayanan Auditorium Vasanthnagar Bengaluru 9.30 am to 6.00 pm	6 hrs
24.05.2023 Wednesday	Study Circle Meeting Brand building using Social Media for CA's CA. Saurabh Goenka Delegate Fees : Members – Rs.100/- Plus GST	Virtual 6.00 pm to 8.00 pm	2 hrs
31.05.2023 Wednesday	Study Circle Meeting E-invoice under GST CA. Gella Praveen Kumar Delegate Fees : Members – Rs.100/- Plus GST	Virtual 6.00 pm to 8.00 pm	2 hrs

Please Note All Virtual CPE Meetings are Unstructured CPE Hours.



BEGINNER'S GUIDE ON SOX AUDIT

CA. Sushil Kumar Padhy



Brief about SOX Audit

SOX Audit refers to an audit of a company's internal controls over financial reporting (ICFR) conducted in accordance with the Sarbanes-Oxley Act of 2002 (SOX). SOX requires that publicly-traded companies in the United States establish and maintain adequate ICFR and that their external auditors attest to the effectiveness of those controls.

The SOX audit is typically conducted by an external auditor and involves testing the design and operating effectiveness of a company's ICFR. This includes identifying and assessing the risks of material misstatement in the financial statements, evaluating the design and implementation of controls to mitigate those risks, and testing the operating effectiveness of those controls.

The objective of a SOX audit is to provide reasonable assurance that a company's financial statements are free from material misstatement due to error or fraud. The audit report issued by the external auditor provides an opinion on the effectiveness of the company's ICFR and is an important

factor in the overall assessment of the company's financial reporting reliability.

Case study to set the context:

A publicly-traded retail company engaged a SOX auditor to perform an audit of its financial statements. During the audit, the auditor identified a deficiency in the company's inventory control process, where inventory levels were not properly reconciled. This led to a potential misstatement in the financial statements. The auditor worked with management to remediate the issue by implementing a new inventory control process and performing a physical inventory count to ensure the accuracy of the inventory balances. The auditor followed up to ensure that the issue was resolved and provided recommendations for improvements in the internal controls and financial reporting process to prevent similar issues from occurring in the future.

Key Components of SOX Audit:

Below is a step-by-step guide for beginners on SOX audit, along with examples:

Step 1: Define the scope of the audit

The first step in SOX compliance is to define the scope of the audit. This involves identifying the business processes that are subject to the regulations and

determining the controls that need to be tested. For example, if a company's financial statements are audited by an external auditor, the scope of the audit would include financial reporting controls.

For example, in a retail company, one key process might be the point-of-sale system, and one key risk might be the potential for fraudulent returns. To mitigate this risk, a control might be to require a manager's approval for all returns.

Step 2: Conduct a risk assessment

The next step is to conduct a risk assessment to identify potential risks that could impact the accuracy of financial reporting. This involves evaluating the effectiveness of existing controls and identifying areas where additional controls may be necessary. For example, if a company has a



"SOX compliance is not just a regulatory requirement, it's a commitment to financial transparency and accountability that builds trust and confidence in your company."

manual process for reconciling bank statements, this process may be identified as a potential risk.

Step 3: Design and test controls

Once the risks have been identified, the next step is to design and test controls to mitigate those risks. Controls can be either preventive or detective in nature, and should be designed to prevent or detect errors or fraud. For example, a preventive control might be implementing a system that automatically reconciles bank statements, while a detective control might be conducting periodic audits of the reconciliation process.

For example, in a retail organization, key controls might include inventory counts, sales order processing, and financial reporting procedures.

Step 4: Evaluate control effectiveness

After controls have been implemented, they need to be evaluated to ensure they are effective in mitigating the identified risks. This involves testing the controls to determine whether they are operating as intended and whether they are providing adequate protection against risks. For example, if a control was designed to prevent unauthorized access to financial systems, it may be tested by attempting to gain access to those systems without proper authorization.

- **Test of Controls:** Based on the identified key controls, test the effectiveness of these controls by performing tests of controls. This involves selecting a sample of transactions and performing procedures to test whether the controls are operating effectively.

For example, in a retail organization, testing the inventory count control might involve observing the inventory count process and re-performing selected inventory counts to confirm accuracy.

- **Substantive Testing:** In addition to testing the effectiveness of internal controls, substantive testing is also performed to detect any material misstatements in the financial statements. This involves selecting a sample of transactions and performing substantive procedures, such as reviewing documentation or testing data.

For example, in a retail organization, testing the completeness of revenue recognition might involve selecting a sample of sales transactions and testing whether the revenue was recorded accurately and completely.

Step 5: Document and report findings

Finally, the results of the SOX audit need to be documented and reported to management and other stakeholders. This includes documenting the scope of the audit, the risk assessment, the controls that were designed and tested, and the results of testing. Any deficiencies or weaknesses in controls should also be documented and reported, along with recommendations for remediation.

Step 6: Follow-up and Remediation

After the audit report is issued, follow-up with management to ensure that any identified issues are remediated. This involves working with management to develop and implement corrective actions to address the identified issues.

Scoping of SOX audit:

Here are some of the potential risks associated with the OTC process Components.

The scoping of a SOX audit involves determining the areas of the company's financial reporting that are within the scope of the audit. The scoping process is critical to ensure that the audit is focused on the areas that pose the highest risk of material misstatement in the financial statements. Here are the key aspects of scoping a SOX audit:

1. **Identifying the financial reporting components:** The first step in scoping a SOX audit is to identify the financial reporting components that are subject to the audit. This may include the financial statements, disclosures, and other financial information.
2. **Identifying the significant accounts and processes:** The auditor needs to identify the significant accounts and processes that are within the scope of the audit. These are the accounts and processes that have the highest risk of material misstatement and require the most attention from the auditor.
3. **Assessing the risks:** The auditor needs to assess the risks associated with the significant accounts and processes. This involves evaluating the likelihood and potential impact of misstatements in these areas.
4. **Determining the testing approach:** Based on the risk assessment, the auditor needs to determine the appropriate testing approach for each significant account and process. This may involve testing the design and



operating effectiveness of the internal controls over financial reporting, performing substantive procedures, or a combination of both.

5. Scoping materiality: The auditor needs to determine the materiality threshold for the audit. This is the threshold below which misstatements are considered immaterial and do not require adjustment or disclosure in the financial statements.

6. Documenting the scoping process: The auditor needs to document the scoping process, including the areas and accounts included in the audit, the risks assessed, and the testing approach for each significant account and process.

Scoping a SOX audit involves a thorough evaluation of the financial reporting components, significant accounts and processes, and associated risks to ensure that the audit is focused on the areas that pose the highest risk of material misstatement in the financial statements.

SOX Scope of work

The scope of a SOX audit includes the following:

1. Identification and assessment of risks: The auditor should identify and assess the risks of material misstatement in the company's financial statements due to error or fraud. This involves understanding the company's business and its internal control environment, and evaluating the effectiveness of controls designed to mitigate those risks.

2. Evaluation of design and implementation of controls:

The auditor should evaluate the design and implementation of controls to mitigate the identified risks. This includes assessing whether the controls are appropriately designed to prevent or detect material misstatement, and whether they have been implemented effectively.

3. Testing of controls: The auditor should test the operating effectiveness of the company's controls by performing procedures to determine whether they are working as intended. This involves selecting a sample of transactions and testing the controls related to those transactions.

4. Evaluation of deficiencies: The auditor should evaluate any deficiencies identified during the audit and determine whether they are significant enough to represent a material weakness in the company's internal control over financial reporting.

5. Issuance of opinion: The auditor should issue an opinion on the effectiveness of the company's internal control over financial reporting. The opinion will be based on the results of the audit procedures performed, and will provide reasonable assurance that the financial statements are free from material misstatement due to error or fraud.

SOX compliance can be a complex process that requires a thorough understanding of the regulations and the business processes that are subject to them. By following these steps and conducting regular audits, companies

can ensure they are complying with SOX regulations and protecting the accuracy and reliability of their financial reporting.

The scope of a SOX audit includes a thorough evaluation of a company's internal control environment, including the identification and assessment of risks, evaluation of the design and implementation of controls, testing of controls, evaluation of deficiencies, and the issuance of an opinion on the effectiveness of the company's internal control over financial reporting.

SOX review procedures

Here are some examples of SOX review procedures:

1. Walkthroughs: A SOX auditor may perform walkthroughs of a company's processes to gain an understanding of the internal control environment. This involves tracing a transaction from its origination through to its inclusion in the financial statements to identify potential control weaknesses.

2. Testing of controls: A SOX auditor may test the effectiveness of controls designed to mitigate identified risks. This involves selecting a sample of transactions and testing the controls related to those transactions to determine whether they are working as intended.

3. Substantive testing: In addition to testing controls, a SOX auditor may perform substantive testing of account balances and transactions to detect potential material misstatements in the financial statements.

4. IT general and application controls testing:

A SOX auditor may test the IT general and application controls to ensure the completeness and accuracy of data, as well as the reliability of information systems.

5. Evaluation of control deficiencies:

A SOX auditor may evaluate any control deficiencies identified during the audit and determine whether they represent a material weakness in the company's internal control over financial reporting.

6. Review of management's assessment:

A SOX auditor may review management's assessment of the effectiveness of the company's internal controls over financial reporting and evaluate the adequacy of their documentation and testing procedures.

The review procedures will vary depending on the specific risks identified in the company's internal control environment and the materiality of the financial statement accounts and transactions.

Key aspects of SOX audit

Here are some key aspects of a SOX audit:

1. Understanding the entity and its environment:

Before starting the audit, the auditor needs to gain a thorough understanding of the entity and its environment, including its industry, business processes, key personnel, and internal controls.

2. Assessing the risk of material misstatement:

The auditor needs to assess the risk of material

misstatement in the financial statements due to fraud or error. This involves identifying the significant accounts, processes, and controls, and evaluating the likelihood and potential impact of misstatements.

3. Testing internal controls:

The auditor needs to test the design and operating effectiveness of the internal controls over financial reporting to determine whether they are adequate to prevent, detect, and correct material misstatements.

4. Substantive procedures:

The auditor needs to perform substantive procedures, such as analytical procedures and tests of details, to obtain sufficient and appropriate audit evidence to support the financial statements.

5. Evaluating identified deficiencies:

If the auditor identifies deficiencies in the internal controls over financial reporting, they need to evaluate their severity and determine the impact on the financial statements.

They also need to communicate these deficiencies to management and the audit committee and recommend appropriate corrective actions.

6. Documenting the audit:

The auditor needs to document their audit procedures, findings, and conclusions in sufficient detail to support their opinion on the financial statements. This documentation should also comply with the requirements of the auditing standards.

7. Reporting the audit results:

The auditor needs to issue an audit report on the financial statements, which includes their opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

A SOX audit involves a comprehensive evaluation of the internal controls over financial reporting and requires the auditor to obtain sufficient and appropriate audit evidence to support their opinion on the financial statements.

Control Testing and Substantive testing from SOX perspective:

Control testing and substantive testing are two key types of testing in SOX audits. Control testing involves testing the effectiveness of internal controls over financial reporting, while substantive testing involves testing the accuracy and completeness of account balances and transactions. Here are some examples of control testing and substantive testing in SOX audits:

Control Testing:

1. Segregation of duties:

The auditor may test the segregation of duties controls by reviewing the organizational chart and job descriptions to ensure that there is a clear separation of duties between those who authorize transactions, those who record transactions, and those who reconcile accounts.

2. Approval of transactions:

The auditor may test the approval of transactions control by selecting a sample of transactions and reviewing the supporting



documentation to ensure that they were approved by the appropriate personnel.

- 3. Access controls:** The auditor may test the access controls by reviewing the access rights of employees to ensure that they have access only to the systems and data necessary to perform their job functions.

Substantive Testing:

- 1. Accounts payable:** The auditor may select a sample of accounts payable transactions and review the supporting documentation, such as invoices, purchase orders, and receipts, to ensure that they are accurate, complete, and properly authorized.
- 2. Inventory:** The auditor may conduct a physical inventory count and compare the results to the inventory records to ensure that the inventory is accurately recorded in the financial statements.
- 3. Revenue recognition:** The auditor may select a sample of revenue transactions and review the supporting documentation, such as contracts, invoices, and shipping documents, to ensure that revenue is recognized in accordance with the organization's revenue recognition policies.
- 4. Bank reconciliations:** The auditor may review the bank reconciliations to ensure that they are performed regularly and accurately, and that any reconciling items are resolved in a timely manner.

Both control testing and substantive testing are critical components of SOX audits, and auditors use a combination

of both types of testing to evaluate the effectiveness of internal controls over financial reporting and the accuracy and completeness of financial statements.

Detailed List of Business controls and IT Controls from SOX perspective:

Under SOX, business controls and IT controls are two types of controls that are evaluated to ensure the accuracy and completeness of financial reporting. Here is a detailed list of business controls and IT controls under SOX, along with examples:

Business Controls:

- 1. Segregation of Duties:** This control ensures that no single person has complete control over a particular business process or function. For example, the same person should not be responsible for both authorizing payments and reconciling bank statements.
- 2. Authorization and Approval:** This control ensures that all transactions are properly authorized and approved by appropriate personnel. For example, purchase orders should be approved by authorized personnel before goods or services are received.
- 3. Physical Security:** This control ensures that physical assets are protected against theft, loss, or damage. For example, inventory should be stored in a secure location with restricted access.
- 4. Access Control:** This control ensures that access to sensitive systems or data is limited to authorized personnel. For example, only authorized personnel should

have access to financial systems or confidential financial information.

- 5. Change Management:** This control ensures that changes to business processes or systems are properly documented, approved, and tested before implementation. For example, changes to financial systems should be approved by management and tested before being implemented in production.

IT Controls:

- 1. Logical Access Controls:** This control ensures that access to systems and data is limited to authorized personnel. For example, password policies, two-factor authentication, and system access controls can be used to restrict access to sensitive data.
- 2. Backup and Recovery:** This control ensures that data is backed up regularly and can be recovered in case of a disaster or system failure. For example, data can be backed up to offsite storage locations and tested regularly to ensure data can be recovered in case of a disaster.
- 3. System Security:** This control ensures that systems are secure and protected against unauthorized access or malicious attacks. For example, antivirus software, firewalls, and intrusion detection systems can be used to protect against attacks and vulnerabilities.
- 4. Change Management:** This control ensures that changes to systems are properly documented, approved, and tested before implementation. For example, changes to production systems should be approved by

management and tested in a non-production environment before being implemented in production.

- 5. Data Integrity:** This control ensures that data is accurate, complete, and valid. For example, data validation rules can be used to ensure that data entered into systems is accurate and complete, while data reconciliation can be used to ensure that data is consistent across different systems or modules.

Both business controls and IT controls play an important role in ensuring the accuracy and completeness of financial reporting under SOX. By evaluating and testing these controls, auditors can provide assurance to management and stakeholders that financial reporting is reliable and accurate.

Key Controls and Non-key controls under SOX:

Under SOX, there are two types of controls: key controls and non-key controls. Key controls are controls that have a significant impact on the accuracy and completeness of financial reporting, while non-key controls have a less significant impact. Below is a detailed list of key controls and non-key controls under SOX.

Key Controls:

- 1. Segregation of Duties:** This control ensures that no single person has complete control over a particular business process or function. For example, the same person should not be responsible for both authorizing payments and reconciling bank statements.
- 2. Authorization and Approval:** This control ensures that all

transactions are properly authorized and approved by appropriate personnel. For example, purchase orders should be approved by authorized personnel before goods or services are received.

- 3. Physical Security:** This control ensures that physical assets are protected against theft, loss, or damage. For example, inventory should be stored in a secure location with restricted access.
- 4. Access Control:** This control ensures that access to sensitive systems or data is limited to authorized personnel. For example, only authorized personnel should have access to financial systems or confidential financial information.
- 5. Reconciliation and Review:** This control ensures that financial data is accurate and complete through periodic review and reconciliation. For example, bank statements should be reconciled on a monthly basis to ensure that all transactions are recorded accurately.

Non-Key Controls:

- 1. Data Entry Controls:** This control ensures that data entered into systems is accurate and complete. For example, data validation rules can be used to ensure that data entered into systems is accurate and complete.
- 2. Output Controls:** This control ensures that output from systems is accurate and complete. For example, reports should be reviewed and validated before being distributed to stakeholders.
- 3. User Management:** This control ensures that user accounts are

properly managed and deactivated when no longer needed. For example, user accounts should be deactivated when an employee leaves the company.

- 4. System Monitoring:** This control ensures that systems are monitored for errors and abnormalities. For example, system logs should be monitored for unusual activity or errors.
- 5. Documentation:** This control ensures that processes and procedures are properly documented and maintained. For example, process flows, work instructions, and policies should be documented and reviewed periodically.

Both key controls and non-key controls are important in ensuring the accuracy and completeness of financial reporting under SOX. Key controls are critical to the financial reporting process and should be tested by auditors, while non-key controls can be tested to provide additional assurance.

Procedure over IPE in SOX Audit

IPE stands for Information Produced by Entity. This refers to the financial and non-financial data that a company produces, including financial statements, management reports, and other relevant information.

In a SOX audit, the auditor is required to perform procedures over IPE to evaluate the *accuracy* and *completeness* of the financial information produced by the entity. The procedures may include the following:

- 1. Evaluating the entity's control environment:** The auditor should evaluate the entity's control



environment to determine the overall quality of the IPE produced. This involves assessing the entity's risk assessment process, the control activities implemented to mitigate risks, and the monitoring activities performed to ensure the ongoing effectiveness of the controls.

2. Assessing the reliability of the data used by the entity:

The auditor should evaluate the reliability of the data used by the entity in producing the financial information. This involves understanding the sources of the data, evaluating the completeness and accuracy of the data, and assessing the controls implemented over the data to ensure its integrity.

3. Testing the accuracy and completeness of the financial information:

The auditor should test the accuracy and completeness of the financial information produced by the entity. This involves comparing the financial information produced to the underlying data and performing analytical procedures to identify any unusual trends or inconsistencies.

4. Evaluating the controls over the production of financial information:

The auditor should evaluate the controls implemented by the entity over the production of financial information. This includes assessing the design and implementation of the controls, testing the operating effectiveness of the controls, and identifying any deficiencies in the controls.

The procedures over IPE in a SOX audit are designed to evaluate the accuracy and completeness of the financial

information produced by the entity and to identify any deficiencies in the internal controls over the production of financial information.

Examples to verify IPE:

Following are some examples of methods that auditors can use to verify the accuracy and completeness of the Information Produced by Entity (IPE) in a SOX audit:

1. Vouching: Auditors can select a sample of transactions from the IPE and vouch them back to supporting documents, such as invoices, purchase orders, or shipping documents. This helps to verify that the transactions are accurate and complete.

2. Analytical procedures: Auditors can perform analytical procedures to identify unusual trends or fluctuations in the IPE. For example, they can compare the current period's financial information to prior periods, industry benchmarks, or other relevant data to verify that the information is consistent and reasonable.

3. Reperformance: Auditors can reperform calculations and reconciliations performed by the entity to ensure that they are accurate and complete. For example, they can reperform the calculation of depreciation expense or the reconciliation of bank accounts to verify that the entity's calculations are correct.

4. Confirmation: Auditors can send confirmation requests to third parties, such as customers or vendors, to confirm the accuracy and completeness of the IPE.

For example, they can send confirmation requests to customers to verify the amounts and terms of sales transactions recorded in the IPE.

5. Observation: Auditors can observe the entity's process for producing the IPE to assess the design and operating effectiveness of the internal controls. For example, they can observe the entity's process for recording sales transactions to verify that the controls over the recording process are effective.

6. Inspecting documentation: Auditors can inspect documentation, such as financial statements, management reports, and other relevant information, to verify that the IPE is accurate and complete. For example, they can inspect financial statements to verify that the amounts and disclosures are accurate and complete.

The methods used to verify IPE will depend on the specific risks and control environment of the entity. The objective is to obtain sufficient and appropriate audit evidence to support the auditor's conclusions regarding the accuracy and completeness of the IPE and the effectiveness of the internal controls over financial reporting.

Illustration 1: SOX Controls Review of Procure to Pay Process:

The Procure-to-Pay (P2P) process is a critical process in any organization's financial operations. It involves the procurement of goods and services from vendors, receipt of those goods and services, and payment to the vendors. As a result, P2P process has a direct impact on financial reporting,

making it an important area for internal control. Here are some examples of SOX controls for the Procure-to-Pay process:

- 1. Segregation of duties:** It is essential to separate the duties of the personnel involved in the P2P process to prevent any individual from having the ability to initiate, approve, and process transactions. This separation of duties ensures that no single person controls the entire process, reducing the risk of fraud and errors.
- 2. Authorization and approval:** All transactions in the P2P process should be authorized and approved by the appropriate personnel, such as the procurement manager, accounts payable manager, and finance manager, before processing the transaction. This authorization ensures that all transactions are valid, and the risk of unauthorized transactions is minimized.
- 3. Purchase requisition and order:** A formal purchase requisition process should be in place to ensure that all purchases are made in accordance with the organization's policies and procedures. Purchase orders should also be generated for all transactions, which should be approved by authorized personnel.
- 4. Receiving and inspection:** A formal receiving and inspection process should be in place to ensure that all goods and services are received and inspected before payment. This process should include verification of the goods and services against the purchase order and the receipt of goods document.

5. Invoice processing and payment:

A formal invoice processing and payment process should be in place to ensure that all invoices are reviewed for accuracy and completeness, and that payments are made in accordance with the payment terms. The process should include verification of the invoice against the purchase order, receipt of goods document, and approval by authorized personnel.

6. Vendor master file:

The vendor master file should be maintained accurately and up to date, including accurate vendor information, tax ID numbers, and payment terms. The file should be periodically reviewed and reconciled to ensure that all vendor information is accurate and complete.

Implementing these SOX controls for the Procure-to-Pay process can help ensure the accuracy and completeness of financial reporting and reduce the risk of fraud and errors in the process.

Illustration 2: SOX Controls Review of Order to Cash Process

The Order-to-Cash (O2C) process is a critical process in any organization as it involves various steps from receiving a customer order to receiving payment for the order. It is important to have effective controls in place to ensure that the O2C process is accurate and complete.

Here are some examples of SOX controls that can be reviewed in the O2C process:

1. Customer Master Maintenance:

This control ensures that customer information is accurate and complete in the system. The system

should have controls in place to ensure that new customers are approved by appropriate personnel and that customer data is validated before being entered into the system.

2. Sales Order Processing:

This control ensures that sales orders are processed accurately and timely. The system should have controls in place to ensure that sales orders are approved by appropriate personnel and that order data is validated before being entered into the system.

3. Shipping Controls:

This control ensures that goods are shipped accurately and timely. The system should have controls in place to ensure that shipping documents are accurate and complete, and that goods are shipped only to authorized customers.

4. Invoicing Controls:

This control ensures that invoices are accurate and complete. The system should have controls in place to ensure that invoices are generated accurately and timely, and that invoice data is validated before being entered into the system.

5. Accounts Receivable Controls:

This control ensures that accounts receivable balances are accurate and complete. The system should have controls in place to ensure that customer payments are recorded accurately and timely, and that accounts receivable balances are reconciled periodically.

6. Credit Management:

This control ensures that customer credit limits are properly maintained.



The system should have controls in place to ensure that customer credit limits are approved by appropriate personnel and that credit limit data is validated before being entered into the system.

- 7. Collections Management:** This control ensures that customer payments are collected timely. The system should have controls in place to ensure that collections are managed effectively and that delinquent accounts are identified and addressed promptly.

It is important to have a comprehensive set of controls in place to ensure the accuracy and completeness of the O2C process. These controls should be reviewed periodically to ensure that they are operating effectively, and any control deficiencies should be addressed promptly to prevent potential errors or fraud.

Illustration 3: SOX Controls Review of Treasury Operation

The Treasury operation of an organization is responsible for managing the company's cash, investments, and financial risks. Effective SOX controls are important to ensure the accuracy, completeness, and reliability of treasury operations. Here are some examples of SOX controls that can be reviewed in the Treasury operation:

- 1. Cash Management Controls:** This control ensures that cash is properly managed, recorded, and reported. The system should have controls in place to ensure that cash is reconciled and that all transactions are recorded accurately and timely.
- 2. Bank Reconciliation Controls:** This control ensures that bank

account balances are accurate and complete. The system should have controls in place to ensure that bank reconciliations are prepared timely, and any differences are resolved promptly.

- 3. Investments Controls:** This control ensures that investments are properly managed, recorded, and reported. The system should have controls in place to ensure that investment transactions are authorized, recorded accurately and timely, and that investments are reconciled periodically.

- 4. Foreign Currency Exposure Management Controls:** This control ensures that foreign currency transactions are properly managed and recorded. The system should have controls in place to ensure that foreign currency transactions are authorized, recorded accurately and timely, and that foreign currency risks are managed effectively.

- 5. Debt Management Controls:** This control ensures that debt is properly managed, recorded, and reported. The system should have controls in place to ensure that debt transactions are authorized, recorded accurately and timely, and that debt is reconciled periodically.

- 6. Risk Management Controls:** This control ensures that financial risks are properly managed and reported. The system should have controls in place to ensure that financial risks are identified, assessed, and managed effectively, and that any changes in risk exposure are reported timely.

- 7. Compliance Controls:** This control ensures that the organization complies with all relevant laws, regulations, and policies. The system should have controls in place to ensure that all relevant laws and regulations are identified and tracked, and that any changes in compliance requirements are addressed promptly.

It is important to have a comprehensive set of controls in place to ensure the accuracy and completeness of the Treasury operation. These controls should be reviewed periodically to ensure that they are operating effectively, and any control deficiencies should be addressed promptly to prevent potential errors or fraud.

Illustration 4: SOX Control over Budgeting and Forecasting Operation

The budgeting and forecasting operation are critical function within an organization that helps in predicting future financial performance and making informed business decisions. Effective SOX controls are important to ensure that the budgeting and forecasting process is accurate and reliable. Here are some examples of SOX controls that can be reviewed in the budgeting and forecasting operation:

- 1. Data Accuracy Controls:** This control ensures that data used for budgeting and forecasting is accurate and reliable. The system should have controls in place to ensure that data inputs are accurate, complete, and timely, and that any errors are identified and corrected promptly.

2. Assumptions and Methodology

Controls: This control ensures that the assumptions and methodologies used for budgeting and forecasting are appropriate and consistent. The system should have controls in place to ensure that assumptions and methodologies are documented, reviewed, and approved by relevant parties, and that any changes are assessed and approved accordingly.

3. Approval and Review Controls:

This control ensures that the budget and forecast are reviewed and approved by appropriate personnel. The system should have controls in place to ensure that the

budget and forecast are reviewed and approved by relevant parties, and that any changes are assessed and approved accordingly.

4. Reporting Controls: This control ensures that the budget and forecast are reported accurately and timely. The system should have controls in place to ensure that the budget and forecast are reported accurately, timely, and consistently, and that any changes in the reported results are explained and documented.

5. Compliance Controls: This control ensures that the organization complies with all relevant laws,

regulations, and policies. The system should have controls in place to ensure that all relevant laws and regulations are identified and tracked, and that any changes in compliance requirements are addressed promptly.

It is important to have a comprehensive set of controls in place to ensure the accuracy and completeness of the budgeting and forecasting process. These controls should be reviewed periodically to ensure that they are operating effectively, and any control deficiencies should be addressed promptly to prevent potential errors or fraud.



BENGALURU BRANCH OF SIRC OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

ANNOUNCEMENT

Bengaluru Branch of ICAI is Organising Mock Test Series – II for CA Intermediate & Final Students for May 2023 Examination

Please note: - Answer Key corresponding to each Mock Test Paper will be uploaded post 48 hours of Mock Test Paper completion.

Date	Final New Course	Intermediate New Course	Time
05.04.2023	Final Paper-1: Financial Reporting	Intermediate Paper-1: Accounting	2 PM – 5 PM
06.04.2023	Final Paper-2: Strategic Financial Management	Intermediate Paper-2: Corporate and Other Laws	
08.04.2023	Final Paper-3: Advanced Auditing and Professional Ethics	Intermediate Paper-3: Cost and Management Accounting	
10.04.2023	Final Paper-4: Corporate and Economic Laws	Intermediate Paper-4: Taxation	
11.04.2023	Final Paper-5: Strategic Cost Management and Performance Evaluation	Intermediate Paper-5: Advanced Accounting	
12.04.2023	Final Paper-7: Direct Tax Laws and International Taxation	Intermediate Paper-6: Auditing and Assurance	
13.04.2023	Final Paper-8: Indirect Tax Laws	Intermediate Paper-7: Enterprise Information Systems & Strategic Management	
14.04.2023	Paper-6A*: Risk Management Paper-6B*: Financial Services and Capital Markets Paper-6C*: International Taxation Paper-6D*: Economic Laws Paper - 6E*: Global Financial Reporting Standards Paper – 6F*: Multi-Disciplinary Case Study *Timing for Elective Paper is 2 pm to 6 pm.	Intermediate Paper-8: Financial Management & Economics for Finance	

Fee stature for Intermediate & Final Mock Test.

Fees: Intermediate		Fees: Final		Registration on first come first served basis. NO SPOT REGISTRATIONS Registration Fees - Mode of payment: Cash / Online www.bangaloreicai.org Email: blrstudentevents@icai.org For further details /Queries Pls call 080 - 4394 4868 /4876 Mob: 9880007904 Venue: Bengaluru Branch of SIRC of ICAI, ICAI BHAWAN, #16/O, Millers Tank Bed Area, Vasanth Nagar, Bangalore - 52.
Both Group	Rs. 800/-	Both Group	Rs. 800/-	
Group -I	Rs. 400/-	Group -I	Rs. 400/-	
Group -II	Rs. 400/-	Group -II	Rs. 400/-	
Single Subject	Rs. 100/-	Single Subject	Rs. 100/-	

CA. Divya S
Chairperson

CA. Manjunath M Hallur
Secretary



STANDARDS ON INTERNAL AUDITING

CA. Naval Kishore Bajaj



April is usually a busy month for most of chartered accountants being the month immediately after the closure of fiscal year end. Companies undertake year end close activities, annual budgeting activities, and related audit and compliance activities in this month. The level of activity for internal auditors can vary based on the specific company, industry, and other factors. While there is no universal trend, April can be a busy month for internal auditors for many organizations.

During this month, Internal auditors are usually busy in closure of last year's audit plan schedules, conducting risk assessments for annual audit plan for the next year, planning the resources and related budgets, and preparing for the reports to be prepared for Board meetings and Audit Committee meetings.

Section 138 of the Companies Act, 2013 mandates that certain classes of companies shall appoint an internal auditor who shall conduct an internal audit of the functions and activities of the company. These requirements are defined in Rule 13 of the Companies (Accounts) Rules, 2014. Section 138 of the Companies Act read along with Rule 13 of The Companies (Accounts) Rules, 2014 lays down that prescribed class or classes of companies shall be required to appoint an internal auditor, who shall either

be a chartered accountant (whether in practice or not) or a cost accountant (whether in practice or not), or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company. These companies are:

- every listed company.
- every unlisted public company having -
 - o paid up share capital of 50 crore rupees or more during the preceding financial year, or
 - o turnover of 200 crore rupees or more during the preceding financial year; or
 - o outstanding loans or borrowings from banks or public financial institutions (PFIs) exceeding 100 crore rupees or more at any point of time during the preceding financial year; or
 - o outstanding deposits of 25 crore rupees or more at any point of time during the preceding financial year; and
- every private company having -
 - o turnover of 200 crore rupees or more during the preceding financial year; or
 - o outstanding loans or borrowings from banks or PFIs exceeding 100 crore rupees or more at any point of time during the preceding financial year.

The internal auditor so appointed may be either an individual or a partnership firm or a body corporate. Further, internal auditor may or may not be an employee of the company.

Further, **Companies (Auditor's Report) Order, 2020 issued under Section 143(11)**, and popularly known as **CARO 2020 applies to all companies** including foreign companies **except**:

- a banking company as defined in section 5(c) of Banking Regulation Act, 1949
- an insurance company as defined under the Insurance Act, 1938
- a company licensed to operate under section 8 of the Companies Act
- a One Person Company as defined in section 2(62) of the Companies Act
- a small company as defined in section 2(85) of the Companies Act; and
- a private limited company,
 - o not being a subsidiary or holding company of a public company, having a paid-up capital *and*
 - o reserves and surplus not more than 1 crore rupees as on the balance sheet date *and*
 - o which does not have total borrowings exceeding 1 crore rupees from any bank or

financial institution at any point of time during the financial year and

- o which does not have a total revenue as disclosed in Scheduled III to the Companies Act (including revenue from discontinuing operations) exceeding 10 crore rupees during the financial year as per the financial statements.

Further, as per CARO 2020 Rule 3(xiv), **the statutory auditor's report on the accounts of a company to which this Order applies shall include a statement on the following matters, namely:**

- whether the company has an **internal audit system** commensurate with the size and nature of its business
- whether the **reports of the Internal Auditors** for the period under audit were considered by the statutory auditor

Thus, *even if a company is not required to have an internal audit function under Section 138, it may still get covered under the requirements of Section 143 (11) and CARO, 2020 resulting in requirement to have an internal audit function commensurate to its size and operations*, or else risk a qualification in the CARO report by the Statutory Auditor.

Further, as per Rule 13 issued under Section 138 of the Companies Act, the Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

Through a harmonious interpretation of above legal provisions and the underlying Rules / Orders, it is clear that for the companies covered under Section 138, the Board or Audit Committee shall be responsible to formulate the scope, functioning, periodicity and methodology for conducting the internal audit, in consultation with internal auditor.

However, for the other companies not covered under Section 138 but still required to have internal audit as per CARO 2020, the scope, functioning, periodicity and methodology may not be required to be defined by the Board or Audit Committee, and may be decided by any other Senior Officer of the company, e.g., CEO or Managing Director; or a Global officer in case of a multi-national company.

ICAI has issued a Guidance Note on The Companies (Auditor's Report) Order, 2020. As per this Guidance Note, the auditor needs to examine the following aspects to evaluate whether the internal audit system is commensurate with the size of the company and the nature of its business:

- (i) *The size of the internal audit department*
- (ii) *Qualifications of the persons who undertake the internal audit work*
- (iii) *Reporting responsibility of the internal auditor*
- (iv) *Involvement of Board or Audit Committee in formulation of scope, functioning, periodicity and methodology of Internal Audit*
- (v) *Technical assistance to the internal auditor*

- (vi) *Reports submitted by the internal auditor.*
- (vii) *Existence of adequate follow-up system*
- (viii) *Minutes of the meetings of the Board of Directors and audit committee*
- (ix) *Existence or otherwise of other forms of internal control*

If the statutory auditor determines that the internal audit system is not commensurate with the size and nature of business of a company, then the auditor should communicate with the Audit Committee or Board and seek their inputs as part of "Communication to Those Charged with Governance" and accordingly report the fact under this report.

Similarly, some of the other aspects that a statutory auditor needs to consider while reporting whether the reports of the Internal Auditors for the period under audit were duly considered by him / her are given below:

- (i) Internal audit is completed as per the plan and the reports are made available sufficiently in time. In case required, a meeting with internal auditor to discuss the observations to independently evaluate the impact of the observations on the financial statements has been done.
- (ii) All internal audit observations having a financial impact are considered by the management and control deficiencies pointed out by the internal auditors are rectified.
- (iii) Impact of the control deficiencies, if any, pointed by the internal auditors on internal financial



controls over financial reporting (IFCoFR) have been assessed by auditor.

- (iv) Since auditor is vested with the right to receive the full-fledged internal audit reports (including draft audit reports) together with annexures and not merely the executive summary/power point presentations, whether the same were made available when requested.

Considering the above requirements, *it becomes obligatory for a company to implement robust internal audit system, and demonstrate the same to statutory auditors*, failing which an adverse communication can be reported in the auditor's report. Thus, these requirements need to be kept in mind by the company when devising the policies and procedures in relation to internal audit system.

Thus, while taking a decision on scope, functioning, periodicity, methodology, organisational hierarchy, qualification etc., **it is imperative for Board or Audit Committee or Senior management to look for a reference point of the good practices or standards of the internal audit profession, so that they can rely upon such good practices / standards to deliver their responsibility in an effective manner.**

Standards on Internal Auditing in India

Since the law has left the task of formulation of scope, functioning, periodicity, and methodology for conducting an internal audit to audit committees or the board of directors in consultation with internal auditor,

there is a clear need for adoption of uniformly acceptable practices in this regard.

This is required to ensure that the company can demonstrate the effectiveness of internal audit activity to various stakeholders such as regulators, statutory auditors etc. in a confident and objective manner, by following a set of minimum requirements that are followed widely by the industry within internal audit fraternity.

Considering that none of the internal audit related standards are mandated by law in India, the audit committee or the board or senior management (as applicable) needs to decide on which standards they plan to use. There are two standards that are widely used by companies in India:

- Standards on Internal Audit (SIAs), issued by Institute of Chartered Accountants of India
- International Standards for the professional practice of Internal Auditing, issued by the Institute of Internal Auditors, USA

Both these standards are based on similar principles about the concept of internal auditing. However, there are aspects which can be different from each other. Thus, an internal auditor needs to understand these standards well before making a proposal to adopt any of them by the audit committee or board.

Below is an overview of the national standards as formulated by ICAI. These standards are recommendatory for all the members of the Institute of Chartered Accountants of India. However, once a standard is adopted by a company's board or audit committee,

then it becomes mandatory for that specific company.

National Standards: SIAs by ICAI

- **Preface** to the Framework and Standards on Internal Audit
- **Framework** Governing Internal Audits
- **Basic Principles** of Internal Audit
- **100 Series – Standards on Key Concepts**
 - o SIA 110 – Nature of Assurance
 - o SIA 120 – Internal Controls
 - o SIA 130 – Risk Management
 - o SIA 140 – Governance
 - o SIA 150 – Compliance with Laws and Regulations
- **200 Series – Standards on Internal Audit Management**
 - o SIA 210 – Managing the Internal Audit Function
 - o SIA 220 – Conducting overall Internal Audit Planning
 - o SIA 230 – Objectives of Internal Audit
 - o SIA 240 – Using the Work of an Expert
 - o SIA 250 – Communication with those charged with Governance
- **300 – 400 Series – Standards on Conduct of Audit Assignments**
 - o SIA 310 – Planning the Internal Audit Assignment
 - o SIA 320 – Internal Audit Evidence
 - o SIA 330 – Internal Audit Documentation
 - o SIA 350 – Review and Supervision of Audit Assignments
 - o SIA 360 – Communication with Management

- o SIA 370 – Reporting Results
- o SIA 390 – Monitoring and Reporting of Prior Audit Issues
- **500 Series – Standards on Specialised Areas**
- o SIA 520 – Internal Auditing in an Information Technology Environment
- o SIA 530 – Third Party Service Provider

As per the Preface of SIAs, the Council of ICAI has decided that the Standards will be made mandatory in a phased manner. The mandatory status of a SIA implies that while carrying out an internal audit, it shall be the duty of the members of the Institute to ensure that they comply with the SIAs read with the Preface, Framework Governing Internal Audits and Basic Principles of Internal Audit.

If, for any reason, a member is unable to comply with any of the SIAs requirements, or if there is a conflict between the SIA and other mandates, such as a regulatory requirement, the internal audit report (or such similar communication) should draw attention to the material departures therefrom along with appropriate explanation.

As per the Governing Framework of SIAs, every Internal Auditor is bound by a written Code of Ethics, issued by an organisation and/or the professional institution of which he is a member. This commits the Internal Auditor to ethical Standards applied with utmost integrity and sincerity.

A member of the Institute of Chartered Accountants of India, carrying out an internal audit activity, is, additionally, governed by:

- (a) the requirements of the Chartered Accountants Act, 1949
- (b) the Code of Ethics issued by the Institute of Chartered Accountants of India
- (c) other relevant pronouncements of the Institute of Chartered Accountants of India.

Thus, in case a company's board or audit committee decides to adopt SIAs as the standards for their organisation, the Internal Audit Manuals should reflect the requirements of not only the organisation, but also the above requirements as part of code of ethics of the Internal Audit department.

INTERNATIONAL STANDARDS ON INTERNAL AUDITING

IIA stands for the Institute of Internal Auditors, headquartered in USA, which is an international professional association of internal auditors. IIA has established a set of standards that provide guidance and best practices for internal auditing. These standards are known as the International Standards for the Professional Practice of Internal Auditing (or IIA standards).

The IIA standards are divided into three categories:

1. **Attribute Standards:** These standards deal with the characteristics of organizations and individuals performing internal auditing. They cover areas such as independence, objectivity, and proficiency.
2. **Performance Standards:** These standards deal with the nature of internal auditing work and how it should be performed. They cover

areas such as planning, execution, reporting, and follow-up.

3. **Implementation Standards:** These standards provide guidance on how to implement the attribute and performance standards. They cover areas such as quality assurance and improvement programs, governance, risk management, and control processes.

The IIA standards provide a framework for internal auditors to carry out their work in a professional and effective manner. They help to ensure that internal audit activities are performed with integrity, objectivity, and due professional care. Compliance with the IIA standards is also a key factor in ensuring that internal audit activities meet the expectations of stakeholders, such as management and external auditors.

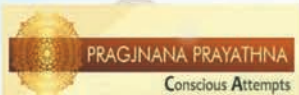
While choosing to adopt a particular set of standards, the audit committee or the board or senior management may consider the relevance of operations of the company, perception of relevant stakeholders, and the opinion of the internal auditor. For instance, the board of a multi-national company headquartered in USA, and having its operations in India shall be more willing to adopt the IIA standards instead of SIAs. On the other hand, a company head quartered in India having international operations may like to adopt SIAs, being the standards which are more aligned to the regulations in India. The past experiences and perception of board members as well as internal auditor may also impact this decision.



BENGALURU BRANCH OF SIRC OF ICAI

(Set up by an Act of Parliament)

**BENGALURU BRANCH OF ICAI IS ORGANISING ONLINE
SUBJECTWISE PRE - EXAM CRASH COURSE FOR CA FINAL
STUDENTS FOR MAY 2023 EXAMS**



**REGISTRATION OPEN FINAL CRASH COURSE
FOR MAY 2023 EXAMS - THROUGH VIRTUAL MODE
Time: 7am to 1.30pm**

Online
Registration
Now open!

Subject and dates

Faculty name

**Paper-3: Advanced Auditing and
Professional Ethics**

Date: 29th, 30th, 31st March & 1st April 2023

CA. VIKAS OSWAL



Paper-2: Strategic Financial Management

Date: 2nd, 3rd, 4th & 5th April 2023

CA. CHINMAYA HEGDE
All-India Rank Holder



Paper-1: Financial Reporting

Date: 6th, 7th, 8th & 9th April 2023

CA. MURALI NAGARAJ
All-India Rank Holder



**Paper-6: Direct Tax Laws and
International Taxation**

Date: 10th, 11th, 12th & 13th April 2023

CA. DURGESH SINGH



Paper-7: Indirect Tax Laws

Date: 17th, 18th, 19th & 20th April 2023

Shri. A. S. HARIHARA KUMAR



I Groups: Rs. 6000/-
Fee for
CA Final Course II Groups: Rs. 4000/-
Single Subject: Rs. 2500

Registration Fees - Mode of payment: Cash / Online

www.bangaloreicai.org

For further details please contact:

Tel: 080 - 4394 4868 /4876 Mob: 9880007904

Email: blrstudentevents@icai.org

Please Note: 1) Fees once paid will not be refunded.

2) Tentative scheduled faculty may change due to non
availability at that point of time.

**CA. Divya S
Chairperson**

**CA. Manjunath M. Hallur
Secretary**





BENGALURU BRANCH OF SIRC OF ICAI
(Set up by an Act of Parliament)
ICAI BENGALURU BRANCH IS ORGANISING
SUBJECTWISE PRE - EXAM CRASH COURSE FOR
CA INTERMEDIATE STUDENTS FOR MAY 2023 EXAMS

VIRTUAL MODE ONLY
INTERMEDIATE CRASH COURSE SCHEDULE



CA. ANU SHREE AGRAWAL
Paper-2: Corporate and Other Laws
Dates: 23rd, 24th & 25th March 2023
Timings: 7am to 1.30pm



PRAGJNANA PRAYATHNA
Conscious Attempts



CA. NARENDRA KUMAR B
Paper-3: Cost & Management Accounting
Dates: 26th, 27th & 28th March 2023
Timings: 7am to 1.30pm



CA. PRASHANTH BHARADWAJ
Paper-4: Taxation - Direct Tax Laws
Dates: 29th & 30th March 2023
Timings: 7am to 1.30pm



CA. VENKATA KRISHNA KOTHARI
Paper-4: Taxation - Indirect Tax Laws
Dates: 31st March & 1st April 2023
Timings: 7am to 1.30pm



CA. MURALI NAGARAJ
All-India Rank Holder
Paper -1: Accounting (Gr-1)
Dates: 2nd, 3rd, 4th & 5th April 2023
Timings: 7am to 1.30pm



CA. KALESHWARA PRASAD
Paper-5: Advanced Accounting
Dates: 6th, 7th, 8th & 9th April 2023
Timings: 7am to 1.30pm



CA. ANAND P JANGID
Paper-7: Enterprise Information Systems & Strategic Management
Dates: 10th, 11th, 12th & 13th April 2023
Timings: 7am to 1.30pm

VIRTUAL MODE ONLY
INTERMEDIATE CRASH COURSE SCHEDULE



CA. CHINMAYA HEGDE
All-India Rank Holder
Paper -8: Financial Management & Economics for Finance
Dates: 14th, 15th & 16th April 2023
Timings: 7am to 1.30pm



CA. VIKAS OSWAL
Paper-6: Auditing and Assurance
Dates: 17th, 18th, 19th & 20th April 2023,
Timings: 8.30am to 2.30pm

Online
Registration
Now open!

For further details /Queries
Pls call 9880007904
Website: www.bangaloreicai.org

Registration Fee Details

Both Groups : Rs. 9000/-

I Group Subjects : Rs. 5000/-

II Group Subjects: Rs. 5000/-

Single Subject: Rs. 2000/-

Registration Fees - Mode of payment:

Cash / Online www.bangaloreicai.org

For further details please contact:

Tel: 080 - 4394 4868 /4876 Mob: 9880007904

Email: blrstudentevents@icai.org

Website: www.bangaloreicai.org

Please Note:

1) Fees once paid will not be refunded.

2) Tentative scheduled faculty may change due to non availability at that point of time

Venue: Virtual Mode Only

CA. Divya S
Chairperson

CA. Manjunath M. Hallur
Secretary



**BENGALURU BRANCH OF SIRC OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

(Set up by an Act of Parliament)

**BENGALURU BRANCH ICAI IS ORGANISING CA INTERMEDIATE COACHING
CLASSES FOR NOV. 2023 EXAMS – PHYSICALLY MORNING BATCH**

Schedule from: 23rd Feb. 2023 to 22nd Oct. 2023

Timings 06.30am to 09.30am (Monday to Saturday) 07.00am to 1.30pm (Sunday)









Tentative scheduled faculty may change due to non availability at that point of time

PRAGJNANA PRAYATHNA

Conscious Attempts

**REGISTRATION OPEN FOR CA INTERMEDIATE
COACHING CLASSES FOR NOV. 2023 EXAMS**

**Online
Registration
Now open!**

Subject and dates	Faculty name
Paper -1: Accounting (Gr-1) Dates: 23.02.2023 to 31.03.2023	CA. MURALI NAGARAJ All-India Rank Holder 
	CA. G. CHALAPATHI RAO 
Paper-2: Corporate and Other Laws Dates: 01.04.2023 to 25.04.2023	CA. MRIDUL AGARWAL 
	CA ANU SHREE AGRAWAL 
Paper-3: Cost and Management Accounting Dates: 26.04.2023 to 28.05.2023	CA. PUNITH KUMAR N 
	CA. NARENDRA KUMAR B 
Paper-4: Taxation - Direct Tax Laws Dates: 29.05.2023 to 21.06.2023	CA. PRASHANTH BHARADWAJ 
Paper-4: Taxation - Indirect Tax Laws Dates: 22.06.2023 to 05.07.2023	CA. VENKATA KRISHNA KOTHARI 

Subject and dates	Faculty name
Paper-5: Advanced Accounting Dates: 06.07.2023 to 14.08.2023	CA KAMESWARAN.S 
	CA. KALESHWARA PRASAD 
Paper-6: Auditing and Assurance Dates: 15.08.2023 to 06.09.2023	CA. VIKAS OSWAL 
	CA. POOJA KHATRI 
Paper-7: Enterprise Information Systems & Strategic Management Dates: 07.09.2023 to 30.09.2023	CA. ANAND P JANGID 
	CA. NIDHI PARAKH 
Paper -8: Financial Management & Economics for Finance Dates: 01.10.2023 to 22.10.2023	CA. CHINMAYA HEGDE All-India Rank Holder 
	CS. KASHYAP BELLUR 

Course	Fees	Timings
CA Intermediate	Rs. 18,000/- for Both Groups Rs. 10,000/- for Single Group Rs. 4,500/- for Single Subject	06.30am to 09.30am (Monday to Saturday) 07.00am to 1.30pm (Sunday)

Registration Fees - Mode of payment: Cash / Online www.bangaloreicai.org

Email: blrstudentevents@icai.org

Note: 1) Fees once paid will not be refunded.

For further details /Queries Pls call 080 - 4394 4868 /4876 Mob: 9880007904

Venue: Bengaluru Branch of SIRC of ICAI

'ICAI BHAWAN' #, 16/O, Millers Tank Bed Area, Vasanth Nagar, Bangalore - 52.

CA. Divya S
Chairperson

CA. Manjunath M. Hallur
Secretary



**BENGALURU BRANCH
OF SIRC OF
THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF INDIA**
(Set up by an Act of Parliament)



**BENGALURU BRANCH OF ICAI
IS ORGANISING COACHING
CLASSES FOR FOUNDATION
& CA INTERMEDIATE
STUDENTS**

CA Coaching Classes

ADMISSIONS OPEN FOR SUBJECTWISE COACHING

In pursuance of our objective to provide fruitful and quality teaching to our students, we are pleased to inform you that **PHYSICAL** coaching classes for **CA FOUNDATION & CA INTERMEDIATE** students & will commence as follows

Why you Should Choose ICAI – Bengaluru Branch

Salient features

- Experienced, Expert and Dedicated faculty members
- Methodology – Concept Oriented Teaching
- Affordable Coaching Fee, Library Facility, Reading Room Facility
- Mock Tests, Revision Classes, Crash Course, Quiz Programme & Classroom presentations.
- The journey of CA student with bengaluru branch will be filled with Innumerable knowledge oriented activities coupled with motivational sessions & orientation classes, guided by our senior members, renowned faculty & resource persons to make student life productive and fruitful.
- It is a golden opportunity to be part of the bengaluru branch by enrolling as a student to become a prestigious member of this glorious profession.

**Online
Registration
Now open!**

Course	Fees	Starting Dates	Timings
CA Foundation	Rs. 12500/- Rs. 4000/- for Single Subject	Starting from 6 th July 2023 for Dec. 2023 Exams (Evening batch)	04.30pm to 07.30pm (Monday to Saturday) 07.00am to 01.30pm (Sunday)
CA Intermediate	Rs. 20,000/- for Both Groups Rs. 12,000/- for Single Group Rs. 5,000/- for Single Subject	Starting from 07 th Sep. 2023 for May 2024 Exams. (Morning Batch)	06.30 am to 09.30am (Morning) (Monday to Saturday) 07.00am to 01.30pm (Sunday)

Schedule for all the subjects will be announced in due course.

Registration Fees - Mode of payment: Cash / Online www.bangaloreicai.org

Email: blrstudentevents@icai.org | Website: www.bangaloreicai.org

Venue: ICAI Bhawan", 16/O, Miller's Tank, Bed Area, Vasanthanagar, Bengaluru -52

Note: Fees once paid will not be refunded.

**For further details /Queries
Pls call 080 - 4394 4868 /4876
Mob: 9880007904**

**CA. Divya S
Chairperson**

**CA. Manjunath M. Hallur
Secretary**

**Bengaluru Branch of SIRC of ICAI
"ICAI Bhawan", 16/O, Miller's Tank, Bed Area, Vasanthanagar, Bengaluru - 560052**



One Day Workshop on Valuation under Income Tax Act

Organised by **Bengaluru Branch of SIRC of ICAI**

On **Tuesday, 25th April 2023**

Venue: **S. Narayanan Auditorium, Vasanthnagar, Bengaluru**

Time: **10.00 am to 6.00 pm**



TIMINGS	TOPICS	SPEAKERS
9.30 am to 10.00 am	REGISTRATION & NETWORKING	
10.00am to 11.30am	Valuation under Income Tax Act	CA. Dr. Gopal Krishna Raju <i>Chennai</i>
11.30am to 12.00 noon	TEA BREAK	
12.00 noon to 1.30pm	Contd. Session - Valuation under Income Tax Act	CA. Dr. Gopal Krishna Raju <i>Chennai</i>
1.30pm to 2.30pm	LUNCH BREAK	
2.30pm to 4.00pm	Valuation insights & Development of your Valuation practice	CA. Guruprasad M & CA. Himanshu Patel
4.00pm to 4.30pm	TEA BREAK	
4.30pm to 6.00pm	Contd. Session - Valuation insights & Development of your Valuation practice	CA. Archana Bailey

CA. Divya S
CHAIRPERSON

CA. Manjunath M Hallur
SECRETARY

BENGALURU BRANCH OF SIRC OF ICAI

Online Registration open

DELEGATE FEES :	For MEMBERS:	For NON MEMBERS:
PHYSICAL	Rs. 900/- (Plus GST)	Rs. 1,800/- (Plus GST)

Mode of Payment: Online / Cash / Cheque in favour of

“**Bangalore Branch of SIRC of ICAI**”, payable at Bengaluru

For Registration, click www.bangaloreicai.org | Tel: **080 43944868/876, 96069 13003**



One Day Seminar on Intangible Property Rights Law

Organised by **Committee on Commercial Laws, Economic Advisory &
NPO Cooperative of ICAI**

Hosted by **Bengaluru Branch of SIRC of ICAI**

On **Saturday, 29th April 2023**

Venue: **S. Narayanan Auditorium, Vasanthnagar, Bengaluru**

Time: **9.30 am to 6.00 pm**

6 hrs
CPE

TIMINGS	TOPICS	SPEAKERS
9.00am to 9.30am	REGISTRATION & NETWORKING	
9.30am to 10.00 am	INAUGURATION BY THE CHIEF GUEST	
10.00am to 11.30am	The Trade Marks Act, 1999	Adv. M.G. Kodandaram, IRS <i>Assistant Director (Retd.)</i>
11.30am to 12.00 noon	TEA BREAK	
12.00 noon to 1.30pm	The Copyright Act, 1957	Adv. Aparna Venkat
1.30pm to 2.30pm	LUNCH BREAK	
2.30pm to 4.00pm	The Patents Act, 1970	Adv. Arun Babu
4.00pm to 4.30pm	TEA BREAK	
4.30pm to 6.00pm	The Designs Act, 2000, etc.	Adv. Arun Babu

CA. Abhay Kumar Chhajed CHAIRMAN COMMITTEE ON COMMERCIAL LAWS, ECONOMIC ADVISORY & NPO COOPERATIVE, ICAI	CA. Heena Gupta SECRETARY COMMITTEE ON COMMERCIAL LAWS, ECONOMIC ADVISORY & NPO COOPERATIVE, ICAI
CA. Divya S CHAIRPERSON BENGALURU BRANCH OF SIRC OF ICAI	CA. Manjunath M Hallur SECRETARY BENGALURU BRANCH OF SIRC OF ICAI

Online Registration open

DELEGATE FEES :	For MEMBERS:	For NON MEMBERS:
PHYSICAL	Rs. 850/- (Plus GST)	Rs. 1,800/- (Plus GST)

Mode of Payment: Online / Cash / Cheque in favour of "**Bangalore Branch of SIRC of ICAI**", payable at Bengaluru
For Registration, click **www.bangaloreicai.org** | Tel: **080 43944868/876, 96069 13003**

Workshop on Co-operative Society Audit

Organised by **Bengaluru Branch of SIRC of ICAI**

On **Saturday, 6th May 2022**

Venue: **S. Narayanan Auditorium, Vasanthnagar Branch Premises, Bengaluru**

Time: **10.00 am to 6.00 pm**

6 hrs
CPE

TIMINGS	TOPICS	SPEAKERS
9.30 am to 10.00 am	REGISTRATION & NETWORKING	
10.00 am to 11.30 am	Income Tax as applicable to Cooperative Societies	CA. Prakash Hegde <i>Bengaluru</i>
11.30 am to 12.00 noon	TEA BREAK	
12.00 noon to 1.30 pm	Recent Changes in Audit of Co-operative Societies	CA. B.V. Raveendranath <i>Sagar</i>
1.30 pm to 2.30 pm	LUNCH BREAK	
2.30 pm to 4.00 pm	GST as applicable to Cooperative Societies	CA. Anil Bharadwaj <i>Bengaluru</i>
4.00 pm to 4.30 pm	TEA BREAK	
4.30 pm to 6.00 pm	Detection and Reporting of Frauds in Co-operative Societies : CA's perspective	CA. B.V. Raveendranath <i>Sagar</i>

CA. Divya S
CHAIRPERSON

CA. Manjunath M Hallur
SECRETARY

BENGALURU BRANCH OF SIRC OF ICAI

Online Registration open

DELEGATE FEES :	For MEMBERS:	For NON MEMBERS:
PHYSICAL	Rs. 850/- (Plus GST)	Rs. 1,000/- (Plus GST)

Mode of Payment: Online / Cash / Cheque in favour of

"**Bangalore Branch of SIRC of ICAI**", payable at Bengaluru

For Registration, click **www.bangaloreicai.org** | Tel: **080 43944868/876, 96069 13003**

One Day Seminar on Bank Branch Audit



Inauguration of the Seminar by lighting the lamp



CA. Divya S
Chairperson
Bengaluru Branch of SIRC of ICAI



Chief Guest Mr. Gagandeep Ahuja
Senior Executive Vice President
Sr. Regional Business Head
Kotak Mahindra Bank



CA. Cotha S Srinivas
Central Council Member, ICAI
Programme Director



CA. Manjunath M Hallur
Secretary, Bengaluru Branch of SIRC of ICAI



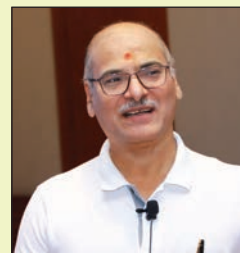
CA. Manohar P Gupta



CA. Shyam Ramadhyani



CA. Premnath D, Hyderabad



CA. P. R. Suresh

Hands on Training on Bank Branch Audit



Felicitation to the Chief Guest



Participants



CA. Venugopal G

Three Day's Workshop on Bank Branch Audit



Inauguration of the Workshop by lighting the lamp



CA. Divya S, Chairperson
Bengaluru Branch of SIRC of ICAI



Chief Guest CA. H. Anil Kumar
Past Chairman
Bengaluru Branch of SIRC of ICAI



CA. Manjunath M Hallur, Secretary
Bengaluru Branch of SIRC of ICAI



CA. R. Sundararajan, Chennai



CA. Venugopal G



CA. U. Saran Kumar, Hyderabad



CA. V. Jawahar, Hyderabad



Felicitation to the Chief Guest

Study Circle Meetings - Virtual



CA. S. Sundaresan



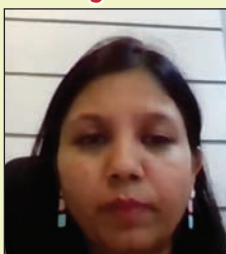
CA. Chinnsamy Ganesan, Chennai



CA. Sandeep C



Dr. B R Mamtha



CA. Sarika Agarwal, Kolkata



CA. Deepak Kumar Jain

Half Day Women Centric Program-Virtual Breakfast Meeting

Traders Union Meet of few Associations with CA. Piyush Goyal, Minister of Commerce & Industry, Government of India



State Bank of India, Chartered Accountants Meet



Bengaluru SICASA - One Day Seminar for Students on Bank Audit



Inauguration of the Seminar by lighting the lamp



CA. Divya S, Chairperson
Bengaluru Branch of SIRC of ICAI



Chief Guest CA. Manohar P Gupta



CA. Tuppada Virupakshappa Muppanna
SICASA - Chairman



CA. Anand Krishna



CA. Priyanka Jain



CA. S. R. Raghunath



CA. Venugopal G



Felicitation to the Chief Guest



Participants

Bengaluru Branch of SIRC News Letter English Monthly Printed, Published & Edited by Editor CA. Divya S, Chairperson, on behalf of Bengaluru Branch of SIRC of ICAI., No.16/O, 'ICAI Bhawan', Millers Tank Bed Area, Vasantnagar, Bengaluru-560052, Karnataka
Tel: 080 - 4394 4868 / 876, Mob: 96069 13003 / 004, www.bangaloreicai.org e-mail : bangalore@icai.org

Printed at: Jwalamukhi Mudranalaya Pvt. Ltd., No.14, Industrial Town, West of Chord Road, Rajajinagar, Bangalore-560010, Ph: 080 29911971, e-mail : info@jwalamukhipress.com